

## Message Text

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PAGE 01 STATE 250600

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ORIGIN SS-25

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DRAFTED BY DOD/DSAA-JKHOENIG/PM/SAS-SWINSHIP:DD

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P 212350Z OCT 75

FM SECSTATE WASHDC

TO AMEMBASSY KUWAIT PRIORITY

C O N F I D E N T I A L STATE 250600

EXDIS

E.O. 11652: GDS

TAGS: MASS, KU

SUBJECT: AGENTS FEES

,

REF: (A) KUWAIT 4082 (B) STATE 226763 (C) KUWAIT 4026

(D) KUWAIT 3976

FOR AMBASSADOR FROM UNDERSECRETARY MAW

1. APPRECIATE MINDEF SAAD'S REITERATION OF GOK POSITION THAT NO AGENTS FEES ARE ALLOWABLE UNDER FMS. HOWEVER, WE BELIEVE IT SHOULD BE MADE CLEAR TO THE MINDEF THAT THE PROBLEM WITH FIFAFI CANNOT BE RESOLVED IN ISOLATION BUT RATHER REQUIRES EFFORT ON THE PART OF THE GOK, AS WELL AS RAYTHEON AND THE USG.

2. SHOULD RAYTHEON ELECT TO PAY FIFAFI OUT OF CORPORATE PROFITS, WHICH HAS NOT REPEAT NOT BEEN ESTABLISHED AT THIS TIME, A KUWAITI AGENT WOULD STILL BE INVOLVED. WHILE THE

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PAGE 02 STATE 250600

GOK WOULD OBVIOUSLY NOT BE CHARGED FOR THE AGENTS FEE, IT

APPEARS TO US THAT THIS STILL VIOLATES THE SPIRIT AND INTENT OF THE GOK CIRCULAR ATTACHED TO MINDEF LETTER TO YOU DATED 16 JUNE 1973. OUR INTERPRETATION OF THE PURPOSE OF THE CIRCULAR IS (1) TO ELIMINATE EXCESSIVE COSTS OF AGENTS OR INTERMEDIARIES AND (2) MORE IMPORTANTLY TO ELIMINATE THE POTENTIAL FOR "INFLUENCE" IN THE GOK PROCUREMENT SELECTION PROCESS.

3. THE USG CAN TRY TO ELIMINATE THE PAYMENT OF AGENTS FEES UNDER FMS, BUT IF RAYTHEON AND OTHER DEFENSE CONTRACTORS ELECT TO MAINTAIN AGENTS IN KUWAIT, WITH FEES PAID BY MEANS OTHER THAN THROUGH FMS, IT OBVIOUSLY DEFEATS THE MAIN PURPOSE OF THE GOK EFFORT TO ELIMINATE POTENTIAL INFLUENCE PEDDLING.

4. IF THE GOK BELIEVES THAT THEY HAVE A VITAL INTEREST IN INSURING THAT NO REPEAT NO AGENT IS INVOLVED IN ANY ASPECT OF THEIR DEFENSE PROCUREMENT, THEN WE CONSIDER THE GOK IS OBLIGATED TO TAKE APPROPRIATE MEASURES WITH RESPECT TO KUWAITI CITIZENS WHO ARE CURRENTLY REPRESENTING DEFENSE CONTRACTORS OF ANY NATION.

5. REVERTING TO THE FIFAFI PROBLEM, SHOULD RAYTHEON INSIST ON INCLUDING THE COST OF \$1.06 MILLION FOR FIFAFI, THE DEPARTMENT OF DEFENSE WILL BE UNABLE TO EXECUTE A CONTRACT WITH RAYTHEON BASED ON THE CONDITIONS AND ASSURANCE PROVIDED TO THE GOK IN THE LETTER TO MINDEF DATED 4 NOVEMBER 1974. FYI TALKS WITH RAYTHEON HERE HAVE THUS FAR PRODUCED NO RESULTS END FYI.

6. SINCE WE ARE AT AN IMPASSE AND THE RAYTHEON DEAL CANNOT GO THROUGH WITHOUT A RESOLUTION OF THE AGENTS FEES PROBLEM, WE CONCLUDE THAT YOU SHOULD PRESENT TO MOD GENERAL FISH'S LETTER TO HIM (ORIGINAL OF WHICH WAS GIVEN YOU DURING YOUR RECENT CONSULTATION) IN MANNER WHICH WILL ELICIT OFFICIAL GOK RESPONSE SOONEST. INGERSOLL

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